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**中國礦業資源集團有限公司\***  
**China Mining Resources Group Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00340)**

**ANNOUNCEMENT OF FINAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

The board of directors (the “Board”) of China Mining Resources Group Limited (the “Company”) hereby announces the consolidated results of the Company and its subsidiaries (collectively known as the “Group”) for the year ended 31 December 2017:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the Year Ended 31 December 2017*

	<i>Notes</i>	<b>2017</b> <b>HK\$'000</b>	2016 HK\$'000
Revenue	4	<b>387,475</b>	112,372
Cost of sales		<b>(300,829)</b>	(65,333)
Gross profit		<b>86,646</b>	47,039
Other income	5	<b>8,309</b>	13,363
Other net gains and losses	6	<b>4,839</b>	73
Selling and distribution expenses		<b>(38,451)</b>	(36,321)
Administrative and other expenses		<b>(78,651)</b>	(42,731)
Finance costs	7	<b>(4,580)</b>	(4,560)
Impairment loss recognised in respect of goodwill		<b>(52,202)</b>	—
Loss before tax	8	<b>(74,090)</b>	(23,137)
Income tax expense	9	<b>(5,084)</b>	—
Loss for the year		<b>(79,174)</b>	(23,137)

\* *For identification purpose only*

	<i>Notes</i>	<b>2017</b> <b>HK\$'000</b>	2016 <i>HK\$'000</i>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statements of foreign operations		<b>46,060</b>	(4,486)
Release of investment revaluation reserve upon disposal of available-for-sale investment		<b>(2,999)</b>	—
Fair value changes in available-for-sale investments		<b>17,610</b>	10,084
		<hr/>	<hr/>
Other comprehensive income for the year, net of income tax		<b>60,671</b>	5,598
		<hr/>	<hr/>
<b>Total comprehensive income for the year</b>		<b>(18,503)</b>	(17,539)
		<hr/> <hr/>	<hr/> <hr/>
Loss for the year attributable to:			
Owners of the Company		<b>(74,068)</b>	(21,130)
Non-controlling interests		<b>(5,106)</b>	(2,007)
		<hr/>	<hr/>
		<b>(79,174)</b>	(23,137)
		<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income for the year attributable to:			
Owners of the Company		<b>(18,783)</b>	(14,633)
Non-controlling interests		<b>280</b>	(2,906)
		<hr/>	<hr/>
		<b>(18,503)</b>	(17,539)
		<hr/> <hr/>	<hr/> <hr/>
Loss per share			
Basic and diluted (HK cents)	<i>11</i>	<b>HK (0.32) cents</b>	HK (0.12) cents
		<hr/> <hr/>	<hr/> <hr/>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

		As at 31 December 2017 <i>HK\$'000</i>	As at 31 December 2016 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		606,205	21,591
Prepaid lease payments — non-current portion		48,362	13,900
Exploration and evaluation assets		952,872	—
Goodwill	12	552,180	—
Other intangible assets		124,739	5,469
Available-for-sale investments		28,131	153,594
Deposit paid for acquisition of a subsidiary		—	80,000
Loans receivable		—	203,943
		<u>2,312,489</u>	<u>478,497</u>
<b>Current assets</b>			
Inventories		86,125	74,026
Trade and other receivables	13	132,480	59,974
Prepaid lease payments		1,300	421
Bank balances and cash		179,707	144,461
		<u>399,612</u>	<u>278,882</u>
<b>Current liabilities</b>			
Trade and other payables	14	216,760	56,500
Income tax payable		42,000	15,929
Bank borrowings		132,889	41,307
		<u>391,649</u>	<u>113,736</u>
<b>Net current assets</b>		<u>7,963</u>	<u>165,146</u>
<b>Total assets less current liabilities</b>		<u>2,320,452</u>	<u>643,643</u>

		As at <b>31 December</b> <b>2017</b> <i>Notes</i> <b>HK\$'000</b>	As at 31 December 2016 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Bank borrowings		5,383	34,050
Deferred income		3,328	2,356
Other payables	14	352,693	—
Provision for restoration and environmental costs		8,560	—
Deferred tax liabilities		254,378	—
		<u>624,342</u>	<u>36,406</u>
<b>Net assets</b>		<u><b>1,696,110</b></u>	<u><b>607,237</b></u>
<b>Capital and reserves</b>			
Share capital	15	284,227	169,150
Share premium and reserves		1,321,701	442,087
Equity attributable to owners of the Company		1,605,928	611,237
Non-controlling interests		90,182	(4,000)
<b>Total equity</b>		<u><b>1,696,110</b></u>	<u><b>607,237</b></u>

Notes:

## 1. GENERAL

China Mining Resources Group Limited (the “Company”) is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). Its registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is at Room 1306, 13th Floor, Bank of America Tower, 12 Harcourt Road, Admiralty, Hong Kong. The Company is an investment holding company. The Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are principally engaged in the production and sale of tea products and gold mining operation, which includes exploration, mining, processing and sale of gold and related products. The Group’s production and sale of tea products and gold mining operation are mainly carried out in the People’s Republic of China (the “PRC”).

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### (a) Adoption of new/revised HKFRSs — effective 1 January 2017

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

Except as explained below, the adoption of these new/revised HKFRSs has no material impact on the Group’s financial statements.

#### *Amendments to HKAS 7 — Disclosure Initiative*

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the notes to consolidated statement of cash flows.

### (b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group’s consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes on the date they become effective.

HKFRS 9	Financial Instruments <sup>1</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15) <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

### 3. SEGMENT REPORTING

Information is reported internally to the board of directors of the Company (the “Board”), being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on the types of goods delivered or services provided. This is also the basis upon which the Group is organised and specifically focuses on the Group’s operating divisions. No operating segments identified by the Board have been aggregated in arriving at the reporting segments of the Group.

For each of the business units, the Group’s senior executive management reviews internal management reports on a monthly basis. Segment information below is presented in a manner consistent with the way in which information is reported internally to the Group’s most senior executive management for the purposes of resource allocation and performance assessment.

The Group has two (2016: one) reportable segments as described below, which are the Group’s strategic business units. During the year ended 31 December 2017, the Group acquired the remaining 73% equity interests of One Champion International Limited (“One Champion”), which principally engages in the operation of exploration, mining, processing and sale of gold and related products. Considering the distinctive business attributes of the acquired operations, a new reportable segment, namely Gold mining operation, is presented to reflect the Group’s recent business development. The following describes the operations in each of the Group’s reportable segments:

<b>Reporting segment</b>	<b>Nature</b>	<b>Place of operations</b>
Tea business	Production and sales of tea products	The PRC
Gold mining operation	Exploration, mining, processing and sale of gold and related products	The PRC

#### (a) Segment revenue and results

For the purposes of assessing segment performance and allocating resources between segments, the group’s senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Segment assets include all tangible, intangible assets and current assets with the exception of available-for-sale investments and other corporate assets.

Segment liabilities include all liabilities with the exception of bank borrowings and other corporate liabilities.

Corresponding items of segment information for the year ended 31 December 2016, during which the group’s senior executive management considered the Group had one reportable segment, have been restated for consistent presentation with current year’s segment information.

**For the year ended 31 December 2017**

	Tea business <i>HK\$'000</i>	Gold mining operation <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Revenue from external customers and reportable segment revenue</b>	<u>91,688</u>	<u>295,787</u>	<u>387,475</u>
<b>Reportable segment results</b>	<u>(49,775)</u>	<u>(15,228)*</u>	(65,003)
Other income			8,309
Other net gains and losses			4,839
Finance costs			(4,580)
Corporate expense			<u>(17,655)</u>
<b>Group's loss before tax</b>			<u>(74,090)</u>

\* Included in the amount was impairment loss on goodwill of approximately HK\$52,202,000.

**For the year ended 31 December 2016 (restated)**

	Tea business <i>HK\$'000</i>	Gold mining operation <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Revenue from external customers and reportable segment revenue</b>	<u>112,372</u>	N/A	<u>112,372</u>
<b>Reportable segment results</b>	<u>(13,692)</u>	N/A	(13,692)
Other income			13,363
Other net gains and losses			73
Finance costs			(4,560)
Corporate expense			<u>(18,321)</u>
<b>Group's loss before tax</b>			<u>(23,137)</u>

**(b) Geographical information**

No geographical analysis is presented as the Group's revenue and profit from operations were primarily derived from operating activities in the PRC.

**Information about major customers**

Revenues from customers of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

	<b>2017</b> <b>HK\$'000</b>	2016 <i>HK\$'000</i>
Customer A <sup>#</sup>	N/A*	33,367
Customer B <sup>#</sup>	<b>43,695</b>	32,852
Customer C <sup>##</sup>	<b>288,455</b>	—

\* Less than 10% of Group's revenue

# Relating to tea business

## Relating to gold mining operation

**(c) Other segment information**

**For the year ended 31 December 2017**

	<b>Depreciation</b> <b>HK\$'000</b>	<b>Amortisation</b> <b>HK\$'000</b>	<b>Additions to</b> <b>non-current</b> <b>assets</b> <b>HK\$'000</b>
Tea business	<b>1,495</b>	<b>729</b>	<b>6,624</b>
Gold mining operation	<b>15,314</b>	<b>11,400</b>	<b>86,241</b>
Total	<b>16,809</b>	<b>12,129</b>	<b>92,865</b>

For the year ended 31 December 2016 (restated)

	<b>Depreciation</b> <b>HK\$'000</b>	<b>Amortisation</b> <b>HK\$'000</b>	<b>Additions to</b> <b>non-current</b> <b>assets</b> <b>HK\$'000</b>
Tea business	723	739	12,384
Gold mining operation	N/A	N/A	N/A
Total	723	739	12,384



Depreciation of approximately HK\$25,000 is included in corporate expense for the year ended 31 December 2017 (2016: approximately HK\$35,000). No amortisation is included in corporate expense for the year ended 31 December 2017 (2016: HK\$Nil).

**(d) Segment assets**

	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i> (restated)
Tea business	217,554	194,692
Gold mining operation	2,443,679	N/A
	<u>2,661,233</u>	<u>194,692</u>
Reportable segments assets		
Available-for-sale investments	28,131	153,594
Corporate assets	22,737	409,093
	<u>2,712,101</u>	<u>757,379</u>

**(e) Segment liabilities**

	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i> (restated)
Tea business	120,534	70,769
Gold mining operation	752,904	N/A
	<u>873,438</u>	<u>70,769</u>
Reportable segments liabilities		
Bank borrowings	138,272	75,357
Corporate liabilities	4,281	4,016
	<u>1,015,991</u>	<u>150,142</u>

#### 4. REVENUE

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Sales of tea products	91,688	112,372
Sales of gold and related products	295,787	—
	<u>387,475</u>	<u>112,372</u>

#### 5. OTHER INCOME

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interest on bank deposits	666	580
Interest from loans receivable	507	4,943
Interest from advances to suppliers ( <i>Note 13(c)</i> )	2,752	5,175
Government grants	3,035	2,126
Others	1,349	539
	<u>8,309</u>	<u>13,363</u>

#### 6. OTHER NET GAINS AND LOSSES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Net foreign exchange gains/(losses)	1,330	(441)
Gain on changes in fair value less costs to sell for agricultural produces	510	509
Gain on disposal of available-for-sale investments	2,999	—
Gain on disposal of property, plant and equipment	—	5
	<u>4,839</u>	<u>73</u>

#### 7. FINANCE COSTS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interest on bank borrowings	4,580	4,560

## 8. LOSS BEFORE TAX

Loss before tax is arrived at after charging/(crediting):

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Directors' emoluments	4,401	4,039
Other staff's salaries, bonus and allowances	29,519	24,978
Other staff's contribution to retirement benefits schemes	2,031	2,010
Total staff costs	<u>35,951</u>	<u>31,027</u>
Impairment loss recognised in respect of goodwill	52,202	—
Impairment loss recognised in respect of trade and other receivables	5,853	1,201
Reversal of impairment loss recognised in respect of trade and other receivables	(3,343)	(614)
Amortisation of other intangible assets	11,045	298
Amortisation of prepaid lease payments	1,084	441
Auditor's remuneration		
— audit services	2,004	1,561
— non-audit services	—	353
Costs of inventories recognised as an expense	296,544	64,344
Written-off of inventories	745	2,299
Depreciation of property, plant and equipment	16,834	758
Minimum leases payments under operating lease in respect of office premises and tea plantation	<u>14,423</u>	<u>14,297</u>

## 9. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the years ended 31 December 2017 and 2016.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

Pursuant to the Notice of the Ministry of Finance, 財政部國家稅務總局海關總署關於深入實施西部大開發戰略有關稅收政策問題的通知(財稅[2011]58號)(transliterated as General Administration of Customs and the State Administration of Taxation on the Issues of Preferential Taxation Policies for Further Implementing the Western Development Strategy (Cai Shui 2011 No. 58)\*), from 1 January 2011 to 31 December 2020, the enterprises in the western region, which engaged in encouraged industries as indicated in the 西部地區鼓勵類產業目錄(transliterated as Catalogue of Encouraged Industries of Western Region\*) and 產業結構調整指導目錄(2011年本)(修正)(transliterated as Catalogue of Industrial Structure Adjustment Guidance (2011 Revised)\*) (國家發改委令2013年第21號)(transliterated as National Development and Reform Commission Order 2013 No. 21\*) and which derive 70% of their operating income from the encouraged industries could apply for a tax incentive. After getting in-charge tax bureau's approval, those enterprises could enjoy a reduced EIT rate of 15% from the statutory EIT rate of 25%.

During the year ended 31 December 2017, 潼關縣祥順礦業發展有限公司 (transliterated as Tongguan County Xiangshun Mining Development Co., Ltd.\*) (“Xiangshun Mining”), the operating subsidiary of One Champion, obtained the in-charge tax bureau’s approval for 2017 and was granted a reduced EIT rate of 15%.

The amount of taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current tax — PRC Enterprise Income Tax	<b>8,749</b>	—
Deferred tax	<u><b>(3,665)</b></u>	<u>—</u>
	<u><b>5,084</b></u>	<u>—</u>

The income tax expense for the year can be reconciled to the loss before tax in the consolidated statement of profit or loss and other comprehensive income as follows:

	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Loss before tax	<u><b>(74,090)</b></u>	<u>(23,137)</u>
Notional tax on loss before tax, calculated at 25% (2016: 25%)	<b>(18,523)</b>	(5,785)
Differential tax rates	<b>1,230</b>	1,133
Expenses not deductible for tax purposes	<b>14,650</b>	4,514
Revenue not taxable for tax purposes	<b>(3,404)</b>	(1,564)
Tax losses not recognised	<u><b>11,131</b></u>	<u>1,702</u>
Income tax expense	<u><b>5,084</b></u>	<u>—</u>

## 10. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2017, nor has any dividend been proposed since the end of the reporting period (2016: HK\$Nil).

## 11. LOSS PER SHARE

The calculation of basic earnings per share is based on the loss for the year attributable to owners of the Company of approximately HK\$74,068,000 (2016: HK\$21,130,000) and the weighted average number of ordinary shares of approximately 23,223,814,000 (2016: 16,914,972,000) in issue during the year.

Diluted loss per share equals to basic loss per share, as there were no potential dilutive ordinary shares in issue during the years ended 31 December 2017 and 2016.

## 12. GOODWILL

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>COST</b>		
At 1 January	511,381	511,381
Acquired through business combinations	<u>604,382</u>	<u>—</u>
At 31 December	<u>1,115,763</u>	<u>511,381</u>
<b>ACCUMULATED IMPAIRMENT</b>		
At 1 January	511,381	511,381
Impairment loss recognised	<u>52,202</u>	<u>—</u>
At 31 December	<u>563,583</u>	<u>511,381</u>
<b>CARRYING AMOUNT</b>		
At 31 December	<u><u>552,180</u></u>	<u><u>—</u></u>

### Impairment testing

- (a) The Group's goodwill and brand name relating to its tea business were grouped to the Group's CGU, tea business operated by King Gold Investments Limited and its subsidiaries (the "King Gold Group") for the purpose of impairment testing of intangible assets with indefinite useful life, together with the Group's forest use right.

The goodwill and brand name arose from the acquisition of the King Gold Group in 2009 while the forest use right, representing the right to use and operate of tea plantation in Fujian Province, Wuyishan City, Wuyi Town, Chishi Village, Du Kou Dao Ban (福建省武夷山市武夷鎮赤石村渡口道班) with useful life of 25 years, were acquired with the Group's bearer plants in 2011.

The Group's goodwill from its tea business had been fully impaired during the year ended 31 December 2013.

- (b) Goodwill arose from One Champion Acquisition, Perfect Major Acquisition and Pride Success Acquisition completed during the year respectively. For the purpose of impairment testing, the carrying amounts of the CGUs are compared with their recoverable amounts. In accordance with the Group's accounting policy, recoverable amount is assessed as the higher of fair value less costs of disposal and value in use. The Group has adopted fair value less costs of disposal methodology in its assessment, with the assistance provided by an independent valuer, Greater China Appraisal Limited ("GCA"), in which a discounted cash flow model for the processing plant is adopted and market approach for certain mineral reserves and resources is adopted. Income approach is not considered to be appropriate for certain mineral reserves and resources as it is not able to estimate the future economic benefits using reliable parameters and assumptions under the current operating stage of those mineral reserves and resources. Market approach has been consistently adopted for the valuation of the said mineral reserves and resources since their acquisitions by the Group.

In line with normal practice in the mining industry, the cash flow projections are based on long term mine plans covering the expected life of the operation. Therefore, the projections cover periods well in excess of five years. Management determined budgeted gross margin based on past performance and the future gold price outlook. The discount rate reflects the specific risks relating to the CGUs. Gold price and exchange rate used are with reference to current market information available at the end of the reporting period.

**As at  
31 December 2017**

Post-tax discount rate	<b>15.73%</b>
Spot price of Gold	<b>USD1,308/Oz</b>
Exchange rate (RMB:US\$)	<b>RMB6.5068:US\$1</b>

Except for the impairment testing carried out, subsequent to the acquisition date but prior to the end of reporting period, for One Champion Acquisition resulted in an impairment charge of HK\$52,202,000 which had been charged to profit or loss during the year ended 31 December 2017, no impairment is recognised as a result of the annual impairment testing of goodwill for the year ended 31 December 2017.

The Directors of the Company believe that any reasonably possible further change in key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

### 13. TRADE AND OTHER RECEIVABLES

	<i>Notes</i>	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade receivables	(a)	<b>21,365</b>	22,338
Less: allowances		<b>(11,728)</b>	(11,897)
		<u><b>9,637</b></u>	<u>10,441</u>
Other receivables	(b)	<b>15,984</b>	7,831
Less: allowances		<b>(6,320)</b>	(3,003)
		<u><b>9,664</b></u>	<u>4,828</u>
Deposits and prepayments		<b>80,246</b>	12,705
Advances to suppliers	(c)	<b>32,933</b>	32,000
		<u><b>132,480</b></u>	<u>59,974</u>

*Notes:*

#### (a) Trade receivables

The Group normally allows credit period of 60-90 days to its trade customers. The aged analysis of trade receivables net of allowance for doubtful debts presented based on the delivery date which approximated the respective dates on which revenue was recognised at the end of the reporting period is as follows:

	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0 — 30 days	<b>7,137</b>	7,060
31 — 60 days	<b>997</b>	715
61 — 90 days	<b>190</b>	156
Over 90 days	<b>1,313</b>	2,510
	<u><b>9,637</b></u>	<u>10,441</u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and credit quality attributed to customers are reviewed once a year. At 31 December 2017, approximately 6% (2016: 11%) of the trade receivables are neither past due nor impaired.

Trade receivables which are past due based on the invoice date but not impaired:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Over 90 days	<u>1,313</u>	<u>2,510</u>

Included in the Group's trade receivables balance at 31 December 2017 are debtors with aggregate carrying amount of approximately HK\$1,313,000 (2016: HK\$2,510,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered to be recoverable. The Group does not hold any collateral over these balances.

Movement in the provision for impairment of doubtful debts for trade receivables:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
At 1 January	11,897	12,051
Exchange adjustment	815	(810)
Reversal of impairment loss previously recognised	(3,132)	(370)
Impairment loss recognised	<u>2,148</u>	<u>1,026</u>
<b>At 31 December</b>	<u><b>11,728</b></u>	<u><b>11,897</b></u>

Included in the Group's allowance for of doubtful debts are individually impaired trade receivables in which the Directors consider that it is unlikely to recover these debts as they are long outstanding balances. The Group does not hold any collateral over these balances.

**(b) Other receivables**

Movement in the allowance for impairment of doubtful debts for other receivables:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
At 1 January	3,003	3,280
Exchange adjustment	(177)	(208)
Reversal of impairment loss previously recognised	(211)	(244)
Impairment loss recognised	<u>3,705</u>	<u>175</u>
<b>At 31 December</b>	<u><b>6,320</b></u>	<u><b>3,003</b></u>

Included in the Group's allowance for doubtful debts are individually impaired other receivables in which the Directors consider that it is unlikely to recover these debts as they are long outstanding balances. The Group does not hold any collateral over these balances.



(c) **Advances to suppliers**

The amount represented advance payments to several suppliers for sourcing of goods from them. Out of which, amounting to approximately HK\$29,741,000 (equivalent to RMB24,860,000) (2016: HK\$30,805,000 (equivalent to RMB27,593,000) represented the sourcing of teas from several suppliers in which the goods shall be delivered during the year ending 31 December 2018 (2016: during the year ending 31 December 2017). Prior to the delivery of teas to the Group, these suppliers will pay an interest at the rate of 11.152% (2016: 11.152%) per annum on the outstanding balances to the Group. During the year ended 31 December 2017, interest income from these suppliers of approximately HK\$2,752,000 (equivalent to approximately RMB2,386,000) (2016: approximately HK\$5,175,000 (equivalent to approximately RMB4,429,000) was recognised as other income in the consolidated statement of profit or loss and other comprehensive income (Note 5).

**14. TRADE AND OTHER PAYABLES**

	<i>Notes</i>	<b>2017</b> <b>HK\$'000</b>	2016 <i>HK\$'000</i>
Trade payables	(a)	<b>40,582</b>	19,687
Other payables and accruals		<b>176,178</b>	36,813
Amounts due to related parties	(b)	<b>352,693</b>	—
		<b>569,453</b>	56,500
Analysed for reporting purposes as:			
— current portion		<b>216,760</b>	56,500
— non-current portion		<b>352,693</b>	—
		<b>569,453</b>	56,500

**(a) Trade payables**

The following is an aged analysis of trade payables presented based on the delivery date at the end of the reporting period:

	<b>2017</b> <b>HK\$'000</b>	2016 <i>HK\$'000</i>
0 — 90 days	<b>21,400</b>	8,817
91 — 180 days	<b>17,579</b>	9,209
181 — 365 days	<b>159</b>	17
Over 1 year	<b>1,444</b>	1,644
	<b>40,582</b>	19,687

The average credit period on purchases of goods is 90 days (2016: 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timetable.

- (b) The amounts are due to certain beneficial owners of the shareholders of the Company and are non-trade in nature, unsecured, interest-free, repayable on demand but not to be repayable within the next twelve months from the end of the report period.

## 15. SHARE CAPITAL

	Notes	Number of ordinary shares		HK\$'000
		at HK\$0.1 each '000	at HK\$0.01 each '000	
Authorised:				
At 1 January 2016		46,223,810	—	4,622,381
Capital Reorganisation	(a)	<u>(46,223,810)</u>	<u>462,238,100</u>	<u>—</u>
<b>At 31 December 2016, 1 January 2017 and 31 December 2017</b>		<b><u>—</u></b>	<b><u>462,238,100</u></b>	<b><u>4,622,381</u></b>
Issued and fully paid:				
At 1 January 2016		16,914,972	—	1,691,497
Capital Reorganisation	(a)	<u>(16,914,972)</u>	<u>16,914,972</u>	<u>(1,522,347)</u>
At 31 December 2016 and 1 January 2017		N/A	16,914,972	169,150
Issuance of shares for One Champion Acquisition	16(a)	N/A	3,507,750	35,077
Issuance of shares for Perfect Major Acquisition	16(b)	N/A	3,300,000	33,000
Issuance of shares for Pride Success Acquisition	16(c)	N/A	4,700,000	47,000
<b>At 31 December 2017</b>		<b><u>N/A</u></b>	<b><u>28,422,722</u></b>	<b><u>284,227</u></b>

All the shares issued during the year rank pari passu with the then existing shares in all respects.

Note:

- (a) Pursuant to the special resolution of the Company's shareholders at its special general meeting on 18 February 2016, the capital reorganisation, involving the share premium cancellation, the capital reduction, the share subdivision and the accumulated losses offset (collectively referred to as the "Capital Reorganisation") were approved by the shareholders of the Company. Details of the Capital Reorganisation were set out in the Company's 2016 annual report, Company's announcement dated 8 January 2016 and Company's circular dated 22 January 2016.

## 16. ACQUISITIONS OF SUBSIDIARIES

### (a) One Champion Acquisition

On 4 August 2016, Combined Success entered into agreement with Forever Success Investments Limited (“Forever Success”) and Supreme Success Group Limited (“Supreme Success”, and together with Forever Success, the “Vendors”) and pursuant to which, Combined Success agreed to acquire, and the Vendors agreed to sell, the remaining 73% equity interests of One Champion, a then available-for-sale investment of the Company and owned as to 27% by Combined Success, 43% owned by Forever Success and 30% owned by Supreme Success, at a combined consideration of HK\$80,000,000 in cash and 4,475,000,000 ordinary shares of the Company at the issue price of HK\$0.08 per ordinary share (the “One Champion Acquisition”).

One Champion and its subsidiaries (referred to as “One Champion Group”) is principally engaged in the exploration, mining, processing, and sale of gold and related products. The acquisition represents an opportunity for the Group to broaden its revenue base and to enhance its financial conditions, as well as to provide growth potential to the Group. Completion of the One Champion Acquisition took place on 27 January 2017 (“Completion Date”). Thereafter, One Champion became an indirect wholly-owned subsidiary of the Company.

The fair values of the identifiable assets acquired and liabilities assumed of the One Champion Group as at the date of the acquisition were as follows:

	<i>HK\$'000</i>
Property, plant and equipment	142,241
Prepaid lease payments	4,478
Exploration and evaluation assets	133,064
Other intangible assets	41,947
Inventories	11,455
Trade and other receivables	52,305
Bank balances and cash	89,817
Trade and other payables	(268,261)
Provision for restoration and environment costs	(6,424)
Income tax payable	(18,852)
Deferred tax liabilities	(24,752)
	<hr/>
Total identifiable net assets at fair value	157,018
Non-controlling interest	(26,390)
27% equity interest held by the Group immediately prior to the Completion Date	(140,400)
Goodwill	440,547
	<hr/>
Fair value of consideration	430,775
	<hr/> <hr/>
Satisfied by:	
Cash consideration paid in 2016 as deposit	80,000
3,507,750,000 shares*	350,775
	<hr/>
	430,775
	<hr/> <hr/>

\* The grant date fair value of the ordinary shares issued was HK\$0.1 per ordinary share.

Since the re-measurement of the Group's 27% equity interest in One Champion held before the One Champion Acquisition to fair value did not result in significant difference with its carrying value, there was no gain or loss recognised from the re-measurement.

Since the acquisition date, One Champion has contributed HK\$295,787,000 and HK\$14,432,000 to the Group's revenue and loss before tax. Had the acquisition occurred on 1 January 2017, One Champion would have contributed revenue and loss before tax for the current year of HK\$295,787,000 and HK\$14,525,000 respectively.

The acquisition-related costs of HK\$3,453,000 have been expensed and are included in administrative and other expenses. The attributable costs of the issuance of the equity instruments of HK\$9,000 have been included in administrative and other expenses.

An analysis of the cash flows in respect of the One Champion Acquisition is as follows:

	<i>HK\$'000</i>
Cash consideration paid during the year ended 31 December 2016	(80,000)
Cash and bank balances acquired	<u>89,817</u>
Net inflow of cash and cash equivalents included in cash flows from investing activities	<u><u>9,817</u></u>

**(b) Perfect Major Acquisition**

On 24 April 2017, Combined Success completed the acquisition of the entire equity interests of Perfect Major at a consideration of 3,300,000,000 ordinary shares of the Company at the issue price of HK\$0.1 per ordinary share (the "Perfect Major Acquisition").

Perfect Major and its subsidiaries (referred to as "Perfect Major Group") is principally engaged in the exploration of gold and related minerals. The acquisition represents an opportunity for the Group to increase its mineral portfolio. Upon the completion of the Perfect Major Acquisition, Perfect Major became an indirect wholly-owned subsidiary of the Company.

The fair values of the identifiable assets acquired and liabilities assumed of the Perfect Major Group as at the date of the acquisition were as follows:

	<i>HK\$'000</i>
Property, plant and equipment	162,466
Exploration and evaluation assets	359,145
Inventories	218
Trade and other receivables	3,612
Bank balances and cash	1,705
Trade and other payables	(180,687)
Deferred tax liabilities	(92,085)
	<hr/>
Total identifiable net assets at fair value	254,374
Non-controlling interest	(27,925)
Goodwill	83,751
	<hr/>
Fair value of consideration	310,200
	<hr/> <hr/>
Satisfied by:	
3,300,000,000 shares*	310,200
	<hr/> <hr/>

\* The grant date fair value of the ordinary shares issued was HK\$0.094 per ordinary share.

Since the acquisition date, Perfect Major has contributed HK\$Nil and HK\$5,568,000 to the Group's revenue and loss before tax. Had the acquisition occurred on 1 January 2017, Perfect Major would have contributed revenue and loss before tax for the current year of HK\$Nil and HK\$7,070,000 respectively.

The acquisition-related costs of HK\$719,000 have been expensed and are included in administrative and other expenses. The attributable costs of the issuance of the equity instruments of HK\$9,000 have been included in administrative and other expenses.

An analysis of the cash flows in respect of the Perfect Major Acquisition is as follows:

	<i>HK\$'000</i>
Cash consideration	—
Cash and bank balances acquired	1,705
	<hr/>
Net inflow of cash and cash equivalents included in cash flows from investing activities	1,705
	<hr/> <hr/>

(c) **Pride Success Acquisition**

On 3 November 2017, Combined Success completed the acquisition of the entire equity interests of Pride Success at a combined consideration of HK\$30,000,000 in cash and 4,700,000,000 ordinary shares of the Company at the issue price of HK\$0.08 per ordinary share (the “Pride Success Acquisition”).

Pride Success and its subsidiaries (referred to as “Pride Success Group”) is principally engaged in the exploration of gold and related minerals. The acquisition represents an opportunity for the Group to increase its mineral portfolio. Upon the completion of the Pride Success Acquisition, Pride Success became an indirect wholly-owned subsidiary of the Company.

The fair values of the identifiable assets acquired and liabilities assumed of the Pride Success Group as at the date of the acquisition were as follows:

	<i>HK\$'000</i>
Property, plant and equipment	223,472
Exploration and evaluation assets	411,180
Other intangible assets	83,697
Trade and other receivables	3,279
Bank balances and cash	62
Trade and other payables	(247,835)
Income tax payable	(2)
Deferred tax liabilities	(131,850)
	<hr/>
Total identifiable net assets at fair value	342,003
Non-controlling interest	(39,587)
Goodwill	80,084
	<hr/>
Fair value of consideration	382,500
	<hr/> <hr/>
Satisfied by:	
Cash consideration	30,000
4,700,000,000 shares*	352,500
	<hr/>
	382,500
	<hr/> <hr/>

\* The grant date fair value of the ordinary shares issued was HK\$0.075 per ordinary share.

Since the acquisition date, Pride Success has contributed HK\$Nil and HK\$1,077,000 to the Group’s revenue and loss before tax. Had the acquisition occurred on 1 January 2017, Pride Success would have contributed revenue and loss before tax for the current year of HK\$Nil and HK\$7,287,000 respectively.

The acquisition-related costs of HK\$617,000 have been expensed and are included in administrative and other expenses. The attributable costs of the issuance of the equity instruments of HK\$9,000 have been included in administrative and other expenses.

An analysis of the cash flows in respect of the Pride Success Acquisition is as follows:

	<i>HK\$'000</i>
Cash consideration	(30,000)
Cash and bank balances acquired	<u>62</u>
Net outflow of cash and cash equivalents included in cash flows from investing activities	<u><u>(29,938)</u></u>

## **FINAL DIVIDEND**

The Board does not recommend the payment of a dividend for the year ended 31 December 2017 (2016: Nil).

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 24 April 2018 to Friday, 27 April 2018, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending the forthcoming annual general meeting of the Company, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong no later than 4:00 p.m. on Monday, 23 April 2018.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **RESULTS**

For the financial year ended 31 December 2017, the Group recorded a revenue of approximately HK\$387,475,000 (2016: HK\$112,372,000) and gross profit of HK\$86,646,000 (2016: HK\$47,039,000), representing an increase of 245% in revenue and increase of 84% in gross profit respectively as compared with that of last year. The increase in revenue and gross profit was mainly attributable to the consolidation of the results of One Champion International Limited ("One Champion") and its subsidiaries (together with One Champion, "One Champion Group") following the acquisition of remaining 73% equity interest in One Champion which was completed on 27 January 2017 (the "Completion Date").

The loss attributable to owners of the Company amounted to approximately HK\$74,068,000 (2016: HK\$21,130,000). The increase in loss attributable to the owners of the Company was mainly attributable to the one-off effect of the impairment loss of goodwill amounted to HK\$52,202,000 as resulted from One Champion Acquisition, which is non-recurring and non-cash in nature.

In accordance with the Hong Kong Financial Reporting Standard 3 "Business Combinations", the goodwill arising from acquisition shall be determined based on the fair value of the identifiable assets and liabilities of the subject assets of the acquisition and the fair value of the consideration for the acquisition which would normally be based on the closing price of the shares of the Company on the Completion Date.

The difference between the fair value of the consideration for the One Champion Acquisition determined based on the closing price of HK\$0.10 per share of the Company on the Completion Date and the consideration for the acquisition based on the price of HK\$0.08 per consideration share pursuant to the sale and purchase agreement has resulted in an increase in the goodwill and share premium by the same amount of approximately HK\$70,155,000.



In accordance with Hong Kong Accounting Standard 36 “Impairment of Assets” and the principle of prudence, the management of the Company has conducted an impairment review by assessing the recoverable amount of the One Champion Group and considering various factors up to the Completion Date, including but not limited to the recent trend of gold prices, and decided to make an impairment provision for such goodwill of approximately HK\$52,202,000.

The impairment loss on goodwill was non-recurring and non-cash in nature which will have no impact on the Group’s daily operations and cash flow.

### Key Performance Indicators (Financial Ratio) (“KPI”)

The management considers the following key performance indicators are relevant to the management of its business segments, through evaluating, controlling and setting strategies to improve performance:

	<i>Note</i>	Gold mining operation		Tea business		Overall	
		Year ended 31 December					
		2017	2016	2017	2016	2017	2016
Revenue ( <i>HK\$’000</i> )		<b>295,787</b>	N/A	<b>91,688</b>	112,372	<b>387,475</b>	112,372
Gross profit margin (%)	<i>(i)</i>	<b>23%</b>	N/A	<b>20%</b>	42%	<b>22%</b>	42%
Trade receivables turnover (days)	<i>(ii)</i>	<b>N/A</b>	N/A	<b>87</b>	75		
Net asset value per share ( <i>HK cents</i> )	<i>(iii)</i>					<b>6.0</b>	3.6

Notes:

- (i) Gross profit margin is calculated as gross profit divided by revenue.
- (ii) The calculation of trade receivables turnover days is based on the average of the opening and closing balances of the trade receivables divided by revenue and multiplied by number of days in the relevant period.
- (iii) Using the number of issued ordinary shares of the Company as at the relevant financial year end date.

The decrease in gross profit margin was mainly due to the fierce competition in Tea business driving down the profit margins for various products. Gold mining operation realises a gross profit margin broadly consistent with the pre-acquisition track records. Turnover days of trade receivables remained within normal credit period granted to the customers for Tea business. Customers of the Gold mining operation are required to pay upfront when placing orders considering the value and

nature of the end products. The Group's net asset value per share increased from HK3.6 cents in 2016 to HK6.0 cents in 2017 as resulted from various acquisitions during the year being settled with consideration shares. Detailed analysis of other KPI is set out in below section.

## **REVIEW OF OPERATIONS**

### **Gold Mining Operation — One Champion Group, Perfect Major Group and Pride Success Group**

The Group engaged in the gold mining operation since 27 January 2017 after the acquisition of remaining 73% equity interest in One Champion. Details of the acquisition of remaining 73% equity interest in One Champion were disclosed in the circular of the Company dated 31 October 2016 and the announcement of the Company dated 27 January 2017.

One Champion Group is principally engaged in the exploration, mining, processing, and sale of gold and related products. The principal asset of One Champion is its indirect 90% equity interest in a PRC company, namely Tongguan County Xiangshun Mining Development Co., Ltd. (潼關縣祥順礦業發展有限公司) ("Xiangshun Mining"), and Xiangshun Mining holds (i) the mining licences and exploration licence in respect of a gold mine located in Tongguan County, Shaanxi Province in the PRC; and (ii) owns and operates an ore-processing plant.

The completion of the acquisition of remaining 73% equity interest in One Champion during the period provided the Group with an immediate revenue stream and cash. Excluding the effect of the one-off impairment loss of goodwill amounted HK\$52,202,000, during the post-acquisition period, One Champion Group contributed HK\$295,787,000 and HK\$37,770,000 to the Group's revenue and profit before tax respectively for the year ended 31 December 2017.

On 24 April 2017, the Group also completed the acquisition of the entire equity interest in Perfect Major Holdings Limited ("Perfect Major"). Details of the acquisition of the entire equity interest in Perfect Major were disclosed in the announcements of the Company dated 5 April 2017 and 24 April 2017.

Perfect Major and its subsidiaries (together with Perfect Major, "Perfect Major Group") are principally engaged in the exploration of gold and related minerals. The principal asset of Perfect Major is its indirect equity interest in PRC companies, namely Luonan Jinhui Mining Co., Ltd. (洛南縣金輝礦業有限公司) ("Jinhui Mining") and Shaanxi Tongxin Mining Co., Ltd. (陝西潼鑫礦業有限公司) ("Tongxin Mining"), which hold the exploration licences in respect of two gold mines located in Tongguan and Luonan Counties in the Shaanxi Province of the PRC. The Perfect Major Group is undergoing geological studies during the year to prepare for the mining licence application.

On 3 November 2017, the Group further completed the acquisition of the entire equity interest in Pride Success Investment Limited ("Pride Success"). Details of the acquisition of the entire equity interest in Pride Success were disclosed in the announcements of the Company dated 26 October 2017, 30 October 2017 and 3 November 2017.

Pride Success and its subsidiaries (together with Pride Success, “Pride Success Group”) are principally engaged in the exploration of gold and related minerals. The principal asset of Pride Success is its indirect equity interest in a PRC company, namely Tongguan County De Xing Mining LLC (潼關縣德興礦業有限責任公司) (“De Xing Mining”), which hold the mining licence and exploration licence in respect of a gold mine located in Tongguan County in the Shaanxi Province of the PRC. The Pride Success Group is undergoing geological studies during the year to prepare for the mining licence application.

### **Tea Business — King Gold Group**

Tea Business — King Gold Investments Limited (“King Gold”) and its subsidiaries (together with King Gold, “King Gold Group”) is principally engaged in cultivation, research, production and sale of Chinese tea products, and its products selling under the brand names of “武夷” and “武夷星” which are well-recognised in the PRC as premium tea products and widely distributed throughout the country.

King Gold Group contributed approximately HK\$91,688,000 (2016: HK\$112,372,000) and approximately HK\$46,469,000 (2016: HK\$9,860,000) to the Group’s revenue and loss for the year ended 31 December 2017 respectively. This represented a decrease of 18% in revenue when compared with last year. Decrease in revenue was mainly attributable to the fierce competition of the market for high-end tea products. The cost of sales of King Gold Group increased from approximately HK\$65,333,000 in 2016 to approximately HK\$72,999,000 in 2017. The average gross profit margin was 20%, representing a decrease of 22 percentage points as compared with an average gross profit margin of 42% last year. Decrease in gross profit margin was mainly attributable to the intensified competition of the market and increasing effort in launching products at affordable price points to strive for better market share. Added variety of discounts have been offered to loyal customers and significant wholesalers to the Group to encourage more frequent and bulk purchases so as to lower the inventory level and to increase market presence.

### **Investments in Canada listed mining companies and other securities**

The Group has invested in Canada listed mining companies which were held for the purpose of long-term investments and capital gain and dividend income. The Group has disposed the shares of a Canada listed company during the year ended 31 December 2017. The investment portfolio of the Group, included in available-for-sale investments, recorded an appreciation during the year ended 31 December 2017 as benefited from the appreciation of both the market price and favourable changes on exchange rate of Canadian dollar. The increase in fair value of the investment portfolio during the year 2017 was approximately HK\$17,610,000 (2016: HK\$10,084,000). As at 31 December 2017, the carrying value of the investment portfolio was HK\$28,131,000 (31 December 2016: HK\$13,194,000).

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 31 December 2017, the Group had total assets and net assets amounted to approximately HK\$2,712,101,000 (2016: HK\$757,379,000) and approximately HK\$1,696,110,000 (2016: HK\$607,237,000), respectively. The current ratio was 1.02, as compared to 2.45 as of last year end date.

As at 31 December 2017, the Group had bank balances and cash of approximately HK\$179,707,000 (2016: HK\$144,461,000), and most of which were denominated in Renminbi and Hong Kong dollars.

At the end of the reporting period, the Group had bank borrowings of approximately HK\$138,272,000 (2016: HK\$75,357,000) which were denominated in Renminbi and interest-bearing at fixed rates with reference to the prevailing borrowing rate quoted by the People's Bank of China and the Loan Prime Rate (LPR) quoted by China Foreign Exchange Trade System & National Interbank Funding Center. The gearing ratio, as a ratio of total borrowings to shareholders' fund was 8.6% (2016: 12.3%).

As at 31 December 2017, the Group has pledged certain buildings, certain prepaid lease payments and a forest use right with carrying values of HK\$Nil (2016: HK\$Nil), approximately HK\$14,895,000 (2016: HK\$14,321,000) and approximately HK\$5,556,000 (2016: HK\$5,469,000) respectively to secure general banking facilities granted to the Group.

## **FUND RAISING ACTIVITY**

During the year ended 31 December 2017, the Company further utilised the remaining balance of the proceeds from the placing of new ordinary shares of the Company completed on 31 December 2015. The remaining balance of the new proceeds have been utilized as intended that (i) approximately HK\$30,000,000 was used as cash consideration for the acquisition of the entire equity interest in Pride Success which completed on 3 November 2017; (ii) approximately HK\$1,600,000 was used for the payment of legal and professional fees of the acquisitions of the gold mining operation; and (iii) the remainder was injected to Xiangshun primarily for the construction cost of the new ore-processing plant.

## **FOREIGN EXCHANGE RISK MANAGEMENT**

As part of the Group's assets and liabilities are denominated in Hong Kong dollars and Canadian dollars in order to minimise the foreign currency risk, the Group aims to utilise the fund for transactions that are denominated in the same currency.

## **SHARE CAPITAL**

On 27 January 2017, the Company issued 3,507,750,000 new ordinary shares as part of the consideration paid for the acquisition of remaining 73% equity interest in One Champion (as stated in heading “Material acquisitions and disposals of subsidiaries and associated companies” as below).

On 24 April 2017, the Company issued 3,300,000,000 new ordinary shares as the consideration paid for the acquisition of the entire equity interest in Perfect Major (as stated in heading “Material acquisitions and disposals of subsidiaries and associated companies” as below).

On 3 November 2017, the Company issued 4,700,000,000 new ordinary shares as part of the consideration paid for the acquisition of the entire equity interest in Pride Success (as stated in heading “Material acquisitions and disposals of subsidiaries and associated companies” as below).

As at 31 December 2017, the Company had 28,422,722,211 ordinary shares in issue with total shareholders’ fund of the Group amounting to approximately HK\$284,227,000.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

On 27 January 2017, the Group acquired remaining 73% equity interest in One Champion for a total consideration of HK\$360,620,000, of which HK\$80,000,000 was settled by cash and the remaining balance of HK\$280,620,000 was satisfied by the issue and allotment of ordinary shares of the Company.

On 24 April 2017, the Group acquired the entire equity interest in Perfect Major for a total consideration of HK\$330,000,000, which was satisfied by the issue and allotment of ordinary shares of the Company.

On 3 November 2017, the Group acquired the entire equity interest in Pride Success for a total consideration of HK\$406,000,000, of which HK\$30,000,000 was settled by cash and the remaining balance of HK\$376,000,000 was satisfied by the issue and allotment of ordinary shares of the Company.

Saved as disclosed above, there were no other material acquisitions or disposals of subsidiaries and associated companies during the year ended 31 December 2017.

## **CONTINGENT LIABILITIES**

As at 31 December 2017, the Group had no contingent liability (2016: Nil).

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2017, the Group had approximately 10 and 480 employees in Hong Kong and Mainland China respectively.

The staff cost of the Group (including directors' emoluments in form of salary and other benefits, share-based payments, performance related incentive payments and retirement benefit contributions) was approximately HK\$35,951,000 for the year ended 31 December 2017 (2016: HK\$31,027,000).

Directors' emoluments were fixed with reference to their duties and responsibilities with the Company as well as the Company's remuneration policy.

Employees of the Group are remunerated at a competitive level and are rewarded according to their performance. Our Group's remuneration packages include medical scheme, group insurance, mandatory provident fund for Hong Kong employees, social insurance packages for Mainland China employees, performance bonus and share option scheme.

According to the share option scheme adopted by the Company on 25 May 2012, share options may be granted to directors, employees and other eligible participants of the Group to subscribe for shares in the Company in accordance with the terms and conditions stipulated therein.

## **PROSPECTS**

### **Gold Mining Operation**

This year the Group marks its re-entry to the mining industry after the disposal of the molybdenum operation by the Group in 2014. The post-acquisition operating results of the Gold Mining Operation has been promising and in line with the management expectations. The management is optimistic on the Group's financial performance turnaround in the near future considering the potential of profit contribution from the Gold Mining Operation.

Work safety and environmental protection are of utmost importance to the sustainable development of the Group. The Group is carrying on the construction of the new processing plant to strengthen our processing capacity with the aim to reduce its environmental footprint in mind. As disclosed in the announcement of the Company dated 14 June 2017, the new processing plant will have an ultimate daily processing capacity of 3,000 tonnes and the first phase of the plant with a daily processing capacity of 1,500 tonnes is expected to be completed in or around June 2018. The management is confident that the new processing plant will facilitate the Group towards cleaner and more efficient production.

With regard to the expansion potential in the near future, the Group continues to explore opportunities for acquisitions to expand and maintain a self-sufficient mineral portfolio. Subsequent to the two acquisitions during the year, the Group currently maintains a healthy mineral portfolio which allows the Group to carry out exploration activities and the tenements are expected to be available for exploitation in later years.

The profitability of the Group highly depends on the gold price in the domestic and international markets and the market prices of gold (and other precious metals) are highly correlated with the global economic growth and stability. The Group will cautiously monitor the market trend and to take necessary actions to minimize the impact to the Group in any unlikely or sudden event of drastic fluctuation in commodity prices.

As the investors awaits for clues on the pace of interest rate hikes of the United States, the US dollar stays weak and has stabilized the international gold price to stay at USD1,300/oz level. The heightened geopolitical uncertainty is expected to benefit the Group with the safe-haven effect of gold from the risk-averse sentiments of the market.

The Group will continue to leverage its management expertise in the mining industry with the aim of optimizing the financial performance the Gold Mining Operation so as to increase the shareholders' value of the Group as a whole.

### **Tea business**

The market for high-end tea products remains challenging and competitive and the consumer markets overall continued to sluggish. The Group continued to suffer in the weak market sentiment and recorded a reduction in turnover during 2017.

The Group primarily focuses in maintaining its market share through competing in varied price points and escalated promotion effort. However, the gross profit margin is unavoidably affected in the near term.

The Group will continue to put the Chinese tea culture first in its marketing campaigns. The management of the Group believes our continued effort would bond our brands tightly with tea culture and the cultural bonding would become a crucial competitive edge of the Group in the long-run. The Group will also explore various business options in cope with the rapidly changing environment for Tea Business and safeguard the shareholders' value.

### **PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

The Company has not redeemed any of its listed securities during the year ended 31 December 2017. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year.



## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE LISTING RULES

The Company has a policy of seeking to comply with the established best practice in corporate governance. The Board believes that good corporate governance is crucial to improve the efficiency and performance of the Group and to safeguard the interests of its shareholders. For the year ended 31 December 2017, the Company has applied the principles of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) (the “Code”), and the associated Listing Rules. During the year ended 31 December 2017, the Company has complied with the code provisions of the Code (“Code Provision(s)”), except for certain deviations as specified and explained below with considered reasons for such deviations.

1. Under Code Provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same person.

Since the resignation of Dr. You Xian Sheng as the chairman and the executive director of the Company on 31 January 2014, the Company has not appointed a new chairman of the Board (the “Chairman”). Until the appointment of the new Chairman, the Board collectively focuses on the overall strategic planning and development of the Group and effective functioning of the Board.

Since the resignation of Mr. Wang Hui as the chief executive officer of the Company (the “Chief Executive Officer”) on 1 June 2016, the Company has not appointed a new Chief Executive Officer. Until the appointment of the new Chief Executive Officer, the executive Directors, possessing extensive relevant industry knowledge, collectively oversee the day-to-day management of the business and operations of the Group.

The Board believes that this arrangement still enables the Company to make and implement decisions promptly, and thus achieve the Company’s objectives efficiently and effectively in response to the changing environment.

The Board will review the current situation from time to time and shall make necessary arrangements when the Board considers appropriate.

2. Under Code Provision A.2.7 of the Code, the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present.

Since the resignation of Dr. You Xian Sheng as the chairman and the executive director of the Company on 31 January 2014, the Company has not appointed a new Chairman, no meeting was held between the Chairman and the non-executive directors (including independent non-executive directors) of the Company without the executive directors of the Company present during the year ended 31 December 2017.



3. Under Code Provision E.1.2 of the Code, the Chairman should attend the annual general meeting. Since the new Chairman has not been appointed following the resignation of Dr. You Xian Sheng as the Chairman on 31 January 2014, Mr. Yeung Kwok Kuen, the executive director of the Company, has been elected by other directors of the Company present to act as the chairman of the annual general meeting of the Company held on 31 May 2017 in accordance with the Bye-laws of the Company.
4. Under Code Provision F.1.3 of the Code, the company secretary should report to the board chairman and/or the chief executive officer. Since the new Chairman has not been appointed following the resignation of Dr. You Xian Sheng as the Chairman on 31 January 2014 and the new Chief Executive Officer has not been appointed following the resignation of Mr. Wang Hui as the Chief Executive Officer on 1 June 2016, the company secretary of the Company reported to the executive directors of the Company since 1 June 2016.
5. Following the resignation of Mr. Chong Cha Hwa as an independent non-executive director of the Company on 31 July 2017, the Company has not complied with the requirements of the Listing Rules as follows:
  - a. Rule 3.10(2) of the Listing Rules (i.e. having at least one independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise); and
  - b. Rule 3.21 of the Listing Rules (i.e. the audit committee must comprise at least one of the independent non-executive directors with appropriate professional qualifications or accounting or related financial management expertise).

Subsequent to the appointment of Mr. Leung Ka Wo as an independent non-executive director of the Company on 25 August 2017, the above rules have been duly complied with.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code and its code of conduct regarding directors’ securities transaction during the year ended 31 December 2017, and they all confirmed that they had fully complied with the required standards set out in the Model Code.

## **AUDIT COMMITTEE**

As at the date of this announcement, the audit committee of the Company comprises Mr. Leung Ka Wo, Mr. Chu Kang Nam, Mr. Ngai Sai Chuen and Mr. Liang Xu Shu, all of them are independent non-executive directors. The consolidated financial results of the Group for the year ended 31 December 2017 have been reviewed by the audit committee of the Company.

## **SCOPE OF WORK OF BDO LIMITED**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditors, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This announcement is published on the website of the Company ([www.chinaminingresources.com](http://www.chinaminingresources.com)) and the designated website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

The 2017 annual report of the Company will be dispatched to the shareholders of the Company and available on the above websites in due course.

The 2017 annual financial information set out above does not constitute the Group's statutory financial statements for the financial year ended 31 December 2017. Instead, it has been derived from the Group's audited consolidated financial statements for the financial year ended 31 December 2017, which will be included in the Company's 2017 annual report.

## **APPRECIATION**

On behalf of the Board, I would like to take this opportunity to express my appreciation to the continuous support of our shareholders and hard work and dedication of all our staff over the past year.

By Order of the Board  
**China Mining Resources Group Limited**  
**Yeung Kwok Kuen**  
*Executive Director and Chief Financial Officer*

Hong Kong, 28 February 2018

*As at the date hereof, the board of directors of the Company comprises Mr. Fang Yi Quan, Mr. Yeung Kwok Kuen, Mr. Shi Xing Zhi and Mr. Shi Sheng Li as executive directors and Mr. Chu Kang Nam, Mr. Ngai Sai Chuen, Mr. Liang Xu Shu and Mr. Leung Ka Wo as independent non-executive directors.*